

Form A

Dwellings, Private Structures Special Form

California Department of Veterans Affairs

**TO REPORT A LOSS: CALL SAMS & ASSOCIATES 1-800-626-1613
OR 916 368-7267**

**FOR GENERAL INFORMATION CALL CALIFORNIA DEPARTMENT
OF VETERANS AFFAIRS**

TOLL FREE 1-800-952-LOAN (5626)

**ISSUED UNDER MASTER EXCESS INSURANCE POLICY ISSUED
TO THE CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS
(herein after called CDVA) for the period October 31, 2006 to
October 31, 2007**

This Form A and the Annual CDVA Insurance Certificate (herein called Insurance Certificate) issued to the Certificate Holder are issued subject to the deductible(s), terms, conditions and provisions of the Master Excess Insurance Policy issued to the California Department of Veterans Affairs.

Insurance attaches only to those items specifically described in this Form A for which a specific amount is shown on the Insurance Certificate. Unless otherwise provided, all conditions of this Form A and the provisions of the Insurance Certificate shall apply separately to each item covered.

Loss, if any, to be adjusted with and payable to the California Department of Veterans Affairs, and the Certificate Holder, as their interests may appear under the terms and conditions as may be specified by the California Department of Veterans Affairs.

Any loss hereunder shall not reduce the amount of insurance under this Form A.

CERTIFICATE HOLDER'S DEDUCTIBLE CLAUSE

The Certificate Holder deductible is \$250 each occurrence with respect to loss by any of the perils insured against

The Certificate Holder's Deductible Clause shall apply separately for each occurrence covered hereunder.

The Certificate Holder's Deductible Clause shall not apply to Additional Living Expense or Rental Value coverage.

I. COVERAGE

This Form A insures the described Dwellings for Guaranteed Replacement Cost with limited building code upgrades, all subject to the provisions and stipulations of this Form A.

THIS COVERAGE DOES NOT APPLY TO PERSONAL PROPERTY, HOUSEHOLD CONTENTS, PERSONAL LIABILITY, WATER OR LAND, INCLUDING LAND ON WHICH THE DWELLING IS LOCATED.

II. PERILS INSURED AGAINST

This Form A insures against risk of direct physical loss to the property described in Section I. However, this Form A does not insure against loss:

- A. By wear and tear; deterioration; rust or mold; wet or dry rot; contamination; smog; *smoke, except sudden and accidental damage from smoke*: smoke from agricultural smudging or industrial operations; mechanical breakdown; birds; bats, vermin; rodents; insects or domestic animals; unless loss from a peril not excluded in this Form A ensues, and then coverage under this Form A shall be provided only for such ensuing loss.
- B. By theft of any property: (1) which at the time of loss is not an integral part of any Dwelling or Private Structure or (2) from a Dwelling or Private Structure in process of construction; unless loss from a peril not excluded in this Form A ensues from theft or attempted theft and then coverage under this Form A shall be provided only for such ensuing loss.
- C. By vandalism and malicious mischief, theft or attempted theft, or glass breakage, if the described Dwelling or Private Structure, had been vacant beyond a period of 120 consecutive days immediately preceding the loss; unless loss from a peril not excluded in this Form A ensues, and then coverage under this Form A shall be provided only for such ensuing loss.
- D. To plumbing, heating or air conditioning systems or domestic appliances or by leakage or overflow from such systems or appliances, caused by or resulting from freezing while the Dwelling or Private Structure is vacant or while all occupants are absent therefrom or while it is being constructed, unless the Certificate Holder shall have exercised due diligence with respect to maintaining heat in the Dwelling or Private Structure or unless such systems and appliances had been drained and the water supply shut off.
- E. To retaining walls not constituting part of a Dwelling or Private Structure, piers, wharves or docks when such loss is caused by pressure of weight of ice or water, freezing, thawing or earth movement, unless such loss is caused by collapse of any other structure, as provided in SECTION VI - EXTENSIONS OF COVERAGE, D. Collapse.
- F. Loss or damage to foundations, walkways, cement floors, sewer pipes, water pipes and gas pipes due to tree roots causing cracking, lifting and bursting from the pressure of tree roots unless such loss from a peril not excluded in this Form A ensues, and then coverage under this Form A shall be provided only for such ensuing loss.
- G. By settling, cracking, shrinking, gradual sinking, bulging, or expansion of soil; damage resulting from differential movement caused by seasonal volume changes of the bearing soil underlying the structure.
- H. Involving collapse, other than as provided in SECTION VI - EXTENSION OF COVERAGE, D. Collapse.
- I. Excluded under SECTION III-ADDITIONAL EXCLUSIONS.
- J. **Intentional loss** arising out of an act committed by or at the direction of the Certificate Holder

III. ADDITIONAL EXCLUSIONS

- A. This Form A does not insure against loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss.
 - 1. Earth movement, including but not limited to earthquake, landslide, mudflow, earth sinking, earth rising or shifting, unless fire or explosion as insured against ensues, and then coverage under this Form A shall be provided only for loss caused by the fire or explosion.
 - 2. Water damage, meaning any of the following:
 - a. Flood, surface water, waves, tidal water or tidal wave, overflow of streams or other bodies of water, or spray from any of the foregoing, all whether driven by wind or not;
 - b. Water which backs up through sewers or drains;

- c. Water below the surface of the ground including that which exerts pressure on or otherwise flows, seeps or leaks through sidewalks, driveways, foundations, walls, basement or other floors, or through doors, windows or any other opening in such sidewalks, driveways, foundations walls or floors;

unless loss by fire or explosion as insured against hereunder ensues, and then coverage under this Form A shall be provided only for such ensuing loss.

3. War Risk and Governmental Action, meaning:

Hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack (1) by any government or sovereign power (de jure or de facto), or by any authority maintaining or using military, naval or air forces; or (2) by military, naval or air forces; or (3) by agent of any such government, power, authority or forces, it being understood that any discharge, explosion or use of any weapon of war employing nuclear fission or fusion shall be conclusively presumed to be such a hostile or warlike action by such a government, power, authority or forces; insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade.

4. Nuclear Hazard, to the extent set forth in the Nuclear Clause and Nuclear Exclusion below.

Nuclear Clause: The word “fire” in this Form A is not intended to and does not embrace nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, and loss by nuclear reaction or nuclear radiation or radioactive contamination is not intended to be and is not insured against by this Form A, whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by “fire” or any other perils insured against by this Form A.

However, subject to the foregoing and all provisions of this Form A, direct loss by “fire” resulting from nuclear reaction or nuclear radiation or

radioactive contamination is insured against by this Form A.

Nuclear Exclusion: Loss by nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled, uncontrolled, or due to any act or condition incident to any of the foregoing is not insured against by this Form A, whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by any of the perils insured against by this Form A; and nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, is not “explosion” or “smoke”. This clause applies to all perils insured against hereunder except the peril of fire, which is otherwise provided for in the nuclear clause above.

- 5. Absolute Pollution Exclusion: This Form A does not apply to any loss, demand, claim or suit arising out of or in any way related to pollution including any cost or expense arising out of or in any way related to testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing pollution. CDVA shall have no duty of any kind with respects to any such loss, demand, claim or suit.

This exclusion applies to all coverages under this Form A.

Pollution means any solid, liquid, gaseous or thermal irritant or contaminant, including: smoke, ***except sudden and accidental damage from smoke; smoke from agricultural smudging or industrial operation;*** vapor; soot; fumes; acids; alkalis; chemicals; and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

- 6. Asbestos Exclusion: Loss, damage or expense to remove, or replace asbestos material unless such materials are themselves damaged by an insured peril. Notwithstanding that competent Government Authority may declare all or parts of the insured premises unfit for occupancy without removal or modifications to asbestos material, CDVA’s liability is limited to the proportion represented by the cost to repair the damaged part of the premises, not the entire property.

Similarly, if this Form A provides additional living expense, rental value or other loss of use or occupancy, such coverage shall be limited to the time required to repair or replace only the damaged portions of the premises.

- 7 Electronic Date Recognition: Notwithstanding any provision of this Form A which may appear to the contrary, this Form A does not insure any loss, damage, cost, claim or expense, whether preventative, remedial or otherwise, directly or indirectly arising out of or relating to:
- the recognition, interpretation, calculation, comparison, differentiation, sequencing or processing of data involving one or more dates or times, including the Year 2000, by any computer system hardware, program or software, or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the Insured or not; or
 - any change, alteration, correction or modification involving one or more dates or times, including the Year 2000, to any such computer system, hardware, program or software, or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the insured or not.

Except as provided in the next paragraph, this Electronic Date Recognition Clause shall apply regardless of any cause or event that contributes concurrently or in any sequence to the loss, damage, cost, claim or expense.

If direct physical loss or damage not otherwise excluded by this Form A results, then subject to all its terms and conditions, this Form A shall be liable only for such resulting loss or damage. Such resulting loss or damage shall not include any cost, claim or expense, whether preventative, remedial or otherwise, arising out of or relating to any change, alteration, correction or modification relating to the ability of any damaged computer system, hardware, program or software, or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment to recognize, interpret, calculate or compare, differentiate, sequence or process data involving one or more dates or times, including the Year 2000.

Destruction, distortion or corruption of any computer data, coding or software, which is caused by the failure of any computer system, hardware, program or software, or any other microchip, integrated circuit, or similar device in computer equipment or non-computer equipment, to recognize, interpret, calculate, compare, differentiate, sequence or process any data involving one or more dates or times, including the Year 2000, is not physical loss or damage insured against under this Form A.

B. This Form A does not insure against loss caused by any of the following. However, any ensuing loss not excepted or excluded in this Form A is covered.

- Weather conditions. However this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in paragraph A.2 above to produce the loss.
- Faulty, inadequate or defective:
 - planning, zoning, development, surveying, citing;
 - design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
 - materials used in repair, construction, renovation or remodeling; or
 - maintenance;

of part or all of any property whether on or off the described premises

IV. DEFINITIONS

- A. Dwelling:** This term shall mean the primary residence, including additions in contact therewith, occupied principally for dwelling purposes and primary residences in the course of construction; also, materials and supplies located on the described premises or adjacent thereto, intended for use in construction, alteration or repair of structures covered hereunder.
- B. Private Structures:** This term shall mean structures located on your premises, owned by you (other than the described dwelling and additions in contact therewith), including secondary residences, appertaining to the described premises. However, this will not include structures used in whole or in part for commercial, manufacturing or farming purposes, nor any structures (except structures used principally for private garage purposes and secondary residences) which are wholly rented or leased to other than a tenant of the principal dwelling covered hereunder.
- C. Rental Value:** This term shall mean the fair rental value of the building(s) or parts thereof, as furnished and equipped by the owner whether rented or not. Loss of Rental Value shall be computed for the period of time, following loss to the building(s) by any peril insured against, which would be required with the exercise of due diligence and dispatch, and not limited by the expiration date of the Master Excess Insurance Policy, to restore the property to a

tenantable condition, less such charges and expenses as do not continue.

As to “Rental Value,” the Company shall be liable during the period of time, not exceeding two weeks, while access to the described premises is prohibited by order of civil authority, but only when such order is given as a direct result of damage by any peril insured against within 5 statutory mile of the insured premises

- D. Additional Living Expense:** This term shall mean the necessary increase in living expense incurred by the Certificate Holder in order to continue as nearly as practicable the normal standard of living of the Certificate Holder’s household for the applicable period described in (1) or (2), whichever is the lesser, and not limited by the expiration date of Master Excess Insurance Policy: (1) the time required, with the exercise of due diligence and dispatch, to repair or replace the damaged or destroyed property; (2) the time required for the Certificate Holder’s household to become settled in any permanent quarters.

As to “Additional Living Expense,” this Company shall be liable during the period of time, not exceeding two weeks, while access to the described premises is prohibited by order of civil authority, but only when such order is given as a direct result of damage by any peril insured against within 5 statutory mile of the insured premises.

quent to the loss, but in no case more than the amount required to repair or replace the damaged property.

- B. For Fences,** the amount of loss will be the amount actually and necessarily expended to repair or rebuild the fence with material of like kind and quality. Fifty percent discount will be taken on losses involving fences shared with neighbors.
- C. For all other private structures that are not buildings,** the amount of loss will be calculated based upon the cost to repair or replace that part of the structure damaged or destroyed with material of like kind and quality less allowance for physical deterioration and depreciation.
- D. Guaranteed Replacement Cost Coverage is provided,** (see Section VI G). This extension of coverage shall be applicable only to a Dwelling(s). This extension shall not apply to alterations and/or additions unless reported in writing to the California Department of Veterans Affairs. If your dwelling is damaged or destroyed by fire or other covered peril, and the coverage limit shown in the Insurance Certificate is less than the cost of repairs, we will increase the coverage limit to equal the current replacement cost of the dwelling subject to the following: Payment under this provision shall in no case exceed the amount necessarily and actually spent to repair or replace the damaged Dwelling.

V. LOSS SETTLEMENT

Covered property losses are settled as follows:

- A. Dwelling(s) or Private Structure(s) are at replacement cost without deduction for depreciation, subject to the following options:**
1. The amount actually and necessarily expended to repair or rebuild the dwelling for equivalent construction and use on the same site; or
 2. For no greater cost than option 1, you elect to build a dwelling or private structure(s) at another location; or
 3. If you do not elect either option 1 or 2 and elect a cash settlement, we will pay the loss in the fair market value of the damaged and/or destroyed dwelling or private structure(s) based upon the difference in the measure of its fair market value immediately prior to the loss, and that subse-

VI. EXTENSIONS OF COVERAGE

- A. Private Structures:** The certificate holder may apply up to 20% of the amount of insurance applicable to the Primary Dwelling under the Insurance Certificate as an additional amount of insurance to cover loss to Private Structures as defined in paragraph B of Section IV by any peril insured against.
- B. Rental Value and Additional Living Expense:** The Certificate Holder may apply up to 20% of the amount of insurance applicable to the Primary Dwelling under the Insurance Certificate as an additional amount of insurance to cover loss by any peril insured against of both (1) Rental Value of the described building(s) with respect to any portion thereof not occupied by the Certificate Holder, and (2) Additional Living Expense with respect to any portion of the described building(s) occupied by the Certificate Holder, but not to exceed said 20% of both (1) and (2) in the aggregate. However, Rental Value shall be paid only

when written agreement to rent property, or any portion thereof, has been obtained from the California Department of Veterans Affairs.

- C. Trees, Shrubs, Plants, and Lawns:** The Certificate Holder may apply up to 5% of the amount of insurance applicable to the Primary Dwelling under the Insurance Certificate to cover loss to trees, shrubs, plants and lawns, within landscaped areas only, on the described premises (except those grown for commercial purposes) by fire, lightning, smoke (except smoke from agricultural smudging or industrial operations), windstorm, hail, explosion, riot, riot attending strike, civil commotion, aircraft vehicles (except vehicles owned or operated by an occupant of the described premises), collapse of a building, caused by theft or attempted theft (except with respect to property taken from the premises). But CDVA shall not be liable for more than its proportion of \$250 on any one tree, shrub, or plant including expense incurred from removing debris thereof. In no event shall the coverage under this extension apply to any peril except those specifically set forth in this paragraph. Landscaped areas as described hereunder are defined as any alteration to the natural condition of the land by grading, landscaping including but not limited to trees, shrubs, plants, lawns, etc., earthen dikes or dams, as well as additions to land such as pavements, driveways, or similar works.
- D. Collapse:** This Form A insures against risk of direct physical loss to covered property involving collapse of a building or any part of a building caused only by one or more of the following:
1. perils insured against under this Form A;
 2. hidden decay;
 3. hidden insect or vermin damage;
 4. weight of contents, equipment, animals or people;
 5. weight of rain, ice or snow which collects on a roof;
 6. use of defective materials or methods in construction, remodeling or renovation if the collapse occurs during the course of construction, remodeling or renovation.

Loss to an awning, fence, patio, pavement, swimming pool, underground pipe, flue, drain, cesspool, septic tank, foundation, retaining wall, bulkhead, pier, wharf,

dock or outdoor equipment is not included under items 2, 3, 4, 5 and 6 unless the loss is a direct result of the collapse of a building. Collapse does not include settling, cracking, shrinking, bulging or expansion.

This coverage does not increase the amount of insurance applying to the property damaged or destroyed.

- E. Debris Removal:** The certificate holder may apply up to 5% of the amount of insurance applicable to the Dwelling under the Insurance Certificate as an additional amount of insurance to cover expenses incurred in the removal of debris of the property covered hereunder, which may be occasioned by loss caused by any peril insured hereunder.
- F. Property Removal:** This Form A is extended to cover pro rata for 30 days at each proper place to which any of the property covered hereunder shall necessarily be removed for preservation from or for repair of damage caused by any peril insured against.
- G. Building Code Upgrade Ordinance or Law:** In the event of any direct physical loss or damage to the covered Dwelling caused by a peril insured against by this Form A, this Form A is extended to cover up to 10% (ten percent) of the amount of insurance applicable to the Dwelling under the Insurance Certificate as an additional amount of insurance to cover any ordinance or law meaning the enforcement of any ordinance or law regulating the construction, repair or demolition to such Dwelling. This coverage will not apply to any structure other than the dwelling.
- H. Fire Department Service Charge.** CDVA will pay up to \$500 for liability assumed by contract or agreement by the Certificate Holder for fire department charges incurred when the fire department is called to save or protect covered property from a Peril Insured Against. CDVA will not cover fire department service charges if the property is located within the limits of the city, municipality or protection district furnishing the fire department response.
- This extension of coverage does not increase the amount of insurance applying to the property damaged or destroyed.

As respects Extensions of Coverage A and C, it is a condition of this Form A that in the event the Certificate Holder elects to apply the optional extensions of coverage herein, CDVA shall not be liable for a greater proportion of any loss than would have been the case if all policies covering the described property had contained identical optional provisions and the same election were made on all policies.

VI. OTHER PROVISIONS

- A. Control of Property:** This insurance shall not be prejudiced by any act or neglect of any person (other than the Certificate Holder) when such act or neglect is not within the control of the Certificate Holder.
- B. Theft:** The policy condition excluding loss by theft is waived, except as provided in Section II, paragraphs B and C of this Form A.
- C. Increased Hazard:** The conditions suspending this insurance while the hazard is increased are waived.
- D. Vacancy and Unoccupancy:** Permission granted for vacancy or unoccupancy without limit of time, except as to loss excluded by Section II, paragraphs C and D. A building in the process of construction shall not be deemed vacant.
- E. Description of Property:** This insurance shall not be prejudiced if any error is made in describing the location of the property covered.
- F. Subrogation:** This insurance shall not be invalidated should the Certificate Holder waive in writing prior to a loss any or all right of recovery against any party for loss occurring to the described property.
- G. Alteration and Repairs:** Permission is granted to make alteration, additions and repairs, and to complete structures in the course of construction. In the event of loss hereunder, the Certificate Holder is permitted to make reasonable repairs, temporary or permanent, provided such repairs are confined solely to the protection of the property from further damage and provided further that the Certificate Holder shall keep an accurate record of such repair expenditures. The cost of any such repairs directly attributable to damage of any peril insured against shall be included in determining the amount of loss hereunder. Nothing herein contained is intended to modify the requirements applicable in case loss occurs, and in particular the requirement that the Certificate Holder shall protect the property from further damage.
- H. Apportionment:** CDVA shall not be liable for a greater proportion of any loss less the amount of deductible, if any, from any peril or perils insured against in this Form A than (1) the amount of insurance under the Insurance Certificate bears to the whole amount of fire insurance covering the property, or which would have covered the property except for the existence of this insurance, whether collectible or not, and whether or not such other fire insurance insures against the additional peril or perils insured against hereunder, or (2) for a greater proportion of any loss less the

amount of deductible, if any, than the amount hereby insured bears to all insurance, whether collectible or not, covering in any manner such loss, or which would have covered such loss except for the existence of this insurance; except if any type of insurance other than fire extended to cover additional perils or windstorm insurance applies to any loss to which this insurance also applies, or would have applied to any such loss except for the existence of this insurance. The limit of liability of each type of insurance for such loss, hereby designated as “joint loss”, shall first be determined as if it were the only insurance, and this type of insurance shall be liable for no greater proportion of joint loss than the limit of its liability for such loss bears to the sum of all such limits. The liability of CDVA (under this insurance) for such joint loss shall be limited to its proportionate part of the aggregate limit of this and all other insurance of the same type. The words “joint loss”, as used in the foregoing, mean that portion of the loss in excess of the highest deductible, if any, to which this Form A and other types of insurance above referred to both apply.

- I. Duties after Loss:** In the event of loss or damage to covered property, the Certificate Holder must do the following:
 1. Give notice to Sams & Associates by no later than 12 months from the date of discovery of such loss or damage.
 2.
 - a) Protect the property from further damage;
 - b) make reasonable and necessary repairs to protect the property; and
 - c) keep an accurate record of repair expenses.
 3. As often as reasonably required,
 - a) exhibit to any person designated by Sams & Associates all that remains of any property; and
 - b) submit to examinations under oath by any person named by Sams & Associates, and subscribe the same; and
 - c) as often as may be reasonably required, produce for examination all books of account, bills, invoices and other vouchers, or certified copies thereof if originals be lost, at such reasonable time and place as may be designated by Sams & Associates or its representative, and permit extracts and copies thereof to be made.

4. File with Sams & Associates a detailed sworn Proof of Loss within 60 days of receipt of the Proof of Loss from Sams & Associates.
5. Cooperate with Sams & Associates in the adjustment and settlement of the loss.
6. Notice to Sams & Associates shall be the same as notice to CDVA. Call Sams & Associates at 1-800-626-1613 or 916-368 7267 or send Fax to 888 314 7267

J. Suit Against CDVA: No suit or action on this Form A or Master Excess Insurance Policy for the recovery of any claim shall be sustainable in any court of law unless the Certificate Holder has fully complied with all the requirements of this Form A, all administrative procedures required by law, nor unless commenced within 12 months after the loss. If you disagree with the decision of Sams & Associates, you must appeal to the Chief of the Division of Farm & Home Purchases of CDVA before filing suit. If you disagree with the decision of the Division Chief, you must appeal to the California Veterans Board before filing suit. If you disagree with the decision of the California Veterans Board, you must file a claim with the California Board of Control before filing suit against CDVA.

K. Cancellation: This Form A may be canceled by the California Department of Veterans Affairs by giving forty-five (45) days prior written notice of such cancellation.

In the event of cancellation for non-payment of premium due, in which event the California Department of Veterans Affairs shall give the Certificate Holder not less than ten (10) days notice before such cancellation becomes effective. Notice of cancellation by the California Department of Veterans Affairs shall be effective even though the California Department of Veterans Affairs makes no payment or tender of return premium with such notice.

L. Other Insurance: If a loss covered by this Form A is also covered by other insurance, CDVA will pay only the proportion of the loss that the limit of liability that applies under this Form A bears to the total amount of insurance covering the loss.

M. Concealment or Fraud: Whether before or after a loss, this entire Form A is void if the Certificate Holder has intentionally concealed or misrepresented any material fact or circumstance, engaged in fraudulent contact or made material false statements relating to this insurance.

N. Appraisal: If the Certificate Holder and Sams & Associates fail to agree on the amount of loss, either may demand an appraisal of the loss. In this event, each party will choose a competent appraiser within 60 days after receiving a written request from the other. The two appraisers will choose an umpire. If they cannot agree upon an umpire within 15 days, the Certificate Holder or Sams & Associates may request that the choice be made by a judge of a court of record in the state where the property is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to Sams & Associates, the amount agreed upon will be the amount of the loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss.

Each party will:

- 1) Pay its own appraiser;
- 2) bear the other expenses of the appraisal and umpire equally; and
- 3) pay its own attorneys fees, if any.

O. Option Clause: If the California Department of Veterans Affairs gives the Certificate Holder written notice within 30 days after Sams & Associates receives the signed sworn proof of loss, California Department of Veterans Affairs may repair or replace any part of the damaged property with equivalent construction.

Further, nothing in Paragraphs I, J, K or M will alter or restrict coverage provided to the California Department of Veterans Affairs under the Master Excess Insurance Policy.